

VZCZCXRO6093
RR RUEHPT
DE RUEHBN #0008/01 0132312
ZNR UUUUU ZZH
R 132312Z JAN 09
FM AMCONSUL MELBOURNE
TO RUEHC/SECSTATE WASHDC 4855
INFO RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEHBY/AMEMBASSY CANBERRA 3531
RUEHWL/AMEMBASSY WELLINGTON 0104
RUEHDN/AMCONSUL SYDNEY 2050
RUEHPT/AMCONSUL PERTH 1507

UNCLAS SECTION 01 OF 02 MELBOURNE 000008

SENSITIVE

SIPDIS

E.O. 12958: N/A

TAGS: [EIND](#) [ECON](#) [SENV](#) [KGHG](#) [AS](#)

SUBJECT: Desalination Plant Approved as Drought Continues

Ref: A) Melbourne 2, B) 08 Melbourne 151, C) 08 Canberra 1286, D) 08 Canberra 1268

Summary

1. (SBU) The Victorian government has given the green light to a controversial desalination plant that will help alleviate the effects of a decade-long drought and furnish about one-third of Melbourne's water needs by 2011. Federal Environment Minister Peter Garrett has not yet granted the project a final approval, but with unemployment numbers creeping up and thousands of potential jobs on the line, most expect a nod and a continued prioritization of the economy over pre-election environment promises. End Summary.

Desalination Plant Gets Victorian Nod

2. (SBU) Victoria's controversial desalination plant, in the works since 2007, overcame its greatest obstacle on January 9 when the state's Planning Minister Justin Madden approved the project. According to contacts in the Victorian government, Federal Environment Minister Peter Garrett still must give the plant a final approval, but most see this as a formality. Environmentalists have expressed concern over green-house gas emissions, the use of large amounts of electricity and the failure of the Victorian government to consider recycling and storm water as alternatives to the pricey desalination plant. Victorian's Labor government has countered by claiming that the plant will be required to purchase renewable energy credits to offset its electricity usage.

3. (U) Two consortia of bidders for the public-private A\$3.1 billion (US\$2.2 billion) desalination plant remain including AquaSure (Degremont, SUEZ Environnement, Macquarie Capital Group and Thiess) and BassWater (Veolia Water, John Holland and ABN AMRO Australia). The plant will be built in Wonthaggi, approximately 70 miles southeast of Melbourne, and is expected to produce as much as 150 billion liters (39 billion gallons) of water per year -- approximately one third of Melbourne's annual water supply -- by late 2011. The Victorian government estimates that construction of the plant, which is due to commence in mid 2009, will generate 3,180 full time jobs and will provide a A\$1 billion (US\$ 706 million) economic "boost" to the state.

Water and Politics

4. (U) Victoria is facing some of the lowest rainfall levels ever recorded. Melbourne's 2008 spring season was the "driest on record" with dam levels at 34.6 percent compared to 38.4 percent in 2007. Water management is one of the oldest political footballs in Australia, and Victoria's Labor government has responded with a series of initiatives aimed at cutting water consumption and increasing supply. A campaign to reduce individual daily water

consumption to less than 155 liters (44 gallons) per person has been deemed a success by Victoria's government, which claims that Melbournians have cut back to 143 liters (38 gallons) per person per day.

15. (SBU) The state's Labor government has also supported the controversial Sugarloaf pipeline project that will move 75 billion liters (21 billion gallons) of water from the Goulburn River across rural Victoria to the city of Melbourne (ref. D). A rural interest group called "Plug the Pipe" has opposed the project, claiming that there is not enough water in the river to both feed the pipeline and provide enough water for farmers. Environmental groups have also opposed the pipeline on the grounds that it will endanger threatened species on the Murray-Darling basin and will produce as much as 160,000 tons per year of green-house gas emissions as water is moved over the Great Dividing Range. While the Liberal party has failed to gain traction in attacking the Labor government on the north-south pipeline, state opposition leader Ted Baillieu has told Consul General that he intends to focus on Labor's water policy in the next state elections (ref. B).

Comment

16. (SBU) While federal Minister Peter Garrett must only weigh in on matters of national environmental significance, the desalination plant is the third controversial dossier that has crossed his desk in the past month. The federal government's white paper on climate change (ref. C) and Garrett's conditional approval of Gunns' Tasmanian pulp mill (ref. A) both provoked anger among environmentalists. As national unemployment numbers creep up in

MELBOURNE 00000008 002 OF 002

Australia, the Rudd government will continue to face pressure to deliver on pre-election promises to strike a tougher stance on the environment.

GRANT